The Political Networking Challenge to Business Leadership in Bulgaria

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This article focuses on the phenomenon of political networking. It analyzes how such a necessity of socialist life and management as personal networking is utilized under the conditions of a transition to a market economy and democracy. The newly established political networks stretch from the individual and organizational level to the national political and the European transnational level. We illustrate our argument with networking developments in Bulgaria, and more specifically by outlining the various forms of political networking in which the new business leaders of Bulgaria have engaged after 1989.

Der Artikel betrachtet das Phänomen der politischen Netzwerke. Er analysiert wie die Notwendigkeit des sozialistischen Alltags und Managements an persönlichen Netzwerken sich an die Bedingungen der Transformation in eine Marktwirtschaft und Demokratie anpassten. Die neu etablierten politischen Netzwerke reichen von der individuellen und organisatorischen Ebene bis auf die nationalpolitische und europäisch-transnationale Ebene. Wir illustrieren unser Argument mit Netzwerkentwicklungen in Bulgarien und im Detail werden die verschiedenen Formen der politischen Netzwerke umrissen, in denen sich die neuen Wirtschaftsführer in Bulgarien seit 1989 engagiert haben.

Key words: network / Bulgaria / transition / politics / leadership / business

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Introduction

In this article, we adopt the view that networks are social relationships among actors (Lincoln, 1982; Mitchell 1969, Seufert, von Krogh/Bach, 1999). Actors in a social network can be individuals, groups, collectives of organizations, communities, or even societies (Seufert et al., 1999). According to Laumann et al. (1978), the task of defining a network involves specifying the set of nodes and the relationships between them. For the purposes of this article, we define nodes as actors constituting these networks and bearing the dynamics of the networks' development. Consequently, our level of analysis is the actor, although we recognize the importance and the potential of considering a multilevel analysis.

Networks develop the ability to establish and disseminate a system of shared and tacitly understood norms and rules which allow the network members to act appropriately not only under well defined conditions but also under dynamically changing contingencies. This is a complicated process which takes a long time. Continuous interactions establish the conditions for developing common understandings, defining the norms of acceptable behavior, establishing trust, confiding, and information sharing that provides the foundation for social mechanisms to coordinate and adapt exchanges effectively.

Boundaries of networks are difficult to determine since they are constructed socially by the network members. From this perspective, the focus moves from the consideration and protection of the boundaries of an organization to the management of and care for relationships and interfaces among network members. While network theories recognize organizational structure, social relationships, and information and communication tools, they sometimes fail to identify adequately the ways in which individuals and groups (as network members) might negotiate their positions and agendas through these networks in order to achieve both their own and the network's objectives.

Networks vary in terms of their nature, objectives, and configurations. Networking is a complex phenomenon which can be approached meaningfully only in relation to a particular context. This article focuses on the political networking phenomenon and explores a number of features related to the political networking processes in the case of Bulgaria.

Managers in socialist Bulgaria, as well as in other socialist societies which traditionally had suffered from weaknesses of formal structures, both at societal and organizational level, had developed strong abilities in personal networking. In centrally planned economies, however, personal networking was a forced necessity rather than a matter of choice. It was an essential lubricant of life under conditions of dominant party-state bureaucracies, permanent shortages in the economy, and an overwhelming collectivist culture. The lack of trust in official institutions and social services was largely compensated for with the use

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of personal relations. Since people could not meet their needs by legal means, their trust and loyalty went to family and friends. Very similar processes developed within business and management where personal networking evolved to be among the most important and vitally necessary features of a socialist manager.

Are personal networks still needed in the conditions of a transition to a market economy and democracy? While positively answering the above question, this paper goes further to explore the institutional metamorphosis of personal networking in the conditions of transition and transformation. We argue that under conditions of, on the one hand, high political, legislative, economic and social uncertainty in the process of transformation, and, on the other hand, increased pressures for restructuring and adaptation for European Union (EU) accession and membership, the existing personal networks have been successfully integrated into broader, formalized and institutionalized business networks. These newly established political networks stretch from the individual and organizational level to the national political and the European transnational level. We illustrate our argument with networking developments in Bulgaria, and more specifically by outlining the various forms of political networking in which the new business leaders of Bulgaria have engaged after 1989.

From Personal to Political Networking

Under conditions of state socialism, personal networking was an exchange of favors of access to various privileges under the conditions of chronic shortages in the economy, lack of democratic pluralism and accountability in the political system, and the prevailing communitarian paradigm in ideology and culture. Personal networking reorganized the official distribution of material welfare and provided access to public resources through personal channels and the rhetoric of "sharing" and "mutual care." (Michailova/Worm, 2003, 510). Personal networking was furthermore an efficient mechanism against the prevailing collectivist norms in an ideological and social context of a meaningless notion of the individual. It was an instrument for the defense of private interests.

The post-socialist period posed two major challenges to the legacies of business leaders' personal networking skills. First, there was a need to disentangle enterprise management from the old practice of subordination to the party-state apparatus. And second, managers needed to proactively create a favorable business environment suitable for a market economy. Responding to these challenges, managers had to go beyond their informal personal networks and create more formalized ones. These new institutionalized networks linked informal personal exchanges with formalized political relationships of

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bargaining and lobbying for the creation of a favorable political and economic environment for business consolidation and growth.

Responding to the first challenge, business leaders thus tried to establish new business organization independent from state and political influences, by engaging in social dialogue (social partnership, tripartism) and various structures (government-labor-business standing councils, committees, etc.) at both national and lower levels of governance. This participation has helped business organizations emerge and profile themselves as independent actors, differentiated from both the state and labor unions, as well as political parties (Iankova, 2002). Responding to the second challenge, business organizations have engaged in lobbying and new, accession-driven exchanges and networks with the government apparatus and other national and transnational civil society organizations.

Social Dialogue: Separation from the Party-State and Organizational Restructuring

After the 1989 political breakthrough, employers alongside with the government and labor unions faced the need to adapt their organizational structures and platforms to the changing political and economic realities. Aiming at functional and organizational separation from the state and political parties, business organizations experienced varying degrees of pluralization across the region, with pronounced fragmentation in Bulgaria. Because of the inapplicability of the existing legislation and the difficulties encountered in creating new governing rules, tripartism and collective bargaining became the legitimating and consolidating mechanism for all actors, including business organizations. “Tripartite coordination” involved government, labor, and emerging business interests as the three main voices in a system of compromise which was, in broad terms, to preserve social peace by distributing the burden and pain of transformation across the population as fairly as possible, with successful political and economic restructuring the anticipated reward (Iankova, 2002).

The legitimating influence of tripartite arrangements has affected emerging employers most strongly. Employers, like the trade unions, deviated for years from their basic functions, and after 1989, unlike wage earners, they were hard to identify and define, given the variety of earlier quasi-employer organizations (such as the chambers of commerce, of industry, and of economy, as well as the associations of cooperatives) and newly emerging employers' organizations. Employers’ formation and restructuring picked up considerable speed due to pressure from the other social partners, especially trade unions. Throughout the CEE region, employers were pushed to organize nationally and get involved in national tripartite talks, and subsequently pushed by the other social partners

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and the rules of the tripartite arrangements to develop lower branch and regional structures.

In Bulgaria, in order to secure political legitimacy and favorable conditions for the implementation of the reform package, the governments of the Socialist Party (BSP), former communists, entered into negotiations and consultations with the old unions, which quickly transformed into a Confederation of Independent Trade Unions in Bulgaria (CITUB). The government needed public support on the eve of the June 1990 elections, and the CITUB needed public legitimacy in the new conditions of rapid union pluralization (Trud, December 1989 and January 1990). In February 1990, they agreed to regular consultations on problems of vital importance to working people, such as rising unemployment and rapidly falling living standards (Trud/March 1990). Later agreements were reached to include other actors (chiefly the new union Podkrepa and emerging associations on the management side).

Following the emergence of social dialogue, important changes occurred on the side of managers/employers (Martin et al., 1996), which facilitated their quick restructuring (Tseneva, 1992). The relationship between state enterprise directors and the state was fundamentally altered by the formation of the National Union of Economic Managers (NUEM) in January 1990. In its effort to establish social partnership, the CITUB assisted in the formation of the managers' association (Petkov/Gradev, 1995, 45). In March 1990 a General Agreement was concluded between the government, the CITUB, and the NUEM. The Agreement was designed to manage the economic crisis and control the social unrest and disaffection that were anticipated in the wake of pending economic reforms. In April 1990 the signatories of the General Agreement became partners in a National Commission for Coordination of Interests. After changing several times its name and scope, finally, in the beginning of 1993 the National Council for Tripartite Cooperation was formed following the adoption of the new Labor Code, which made social partnership mandatory. The Council continues to function today (Iankova, 1998, 2000; Thirkell/Tseneva, 1992).

Within a transformational context, national tripartite talks spread quickly to lower levels as well. At the regional level, regional tripartite councils comprising local governments, employers, and trade unions were established. Sectoral tripartite councils also emerged especially in sectors where there were acute restructuring problems caused by the collapse of old industries such as textiles and coal mining. Collective bargaining to regulate the terms and conditions of employment emerged at the company level, but it was closely interwoven with collective negotiations at upper levels, and in the more problematic cases representatives of upper bargaining structures became directly involved in company bargaining.

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Employers had to undergo most drastic changes of organizational and functional separation from the state. Although the NUEM was designed mainly to defend the interests of economic directors as state employees, it played an important role in laying the foundations for an organization of employers. The Bulgarian Industrial Association (BIA) and the Bulgarian Chamber of Commerce were founded under state socialism and played an important role mainly in the creation of small and medium-size enterprises. However, as part of the state economic machinery, their status as employers' organizations was artificial, and they were restricted by the command economy. The BIA, founded in 1984, was the first employers' group to reshape itself as an autonomous entity, following the events of November 1989. At present, it is a voluntary, nongovernmental economic union of branch, regional, and other associations from all sectors: state, private, and cooperative. Its goals are to defend the economic interests of its members through representation in the tripartite social partnership system at national, regional, and branch levels, representation abroad, and other means. The BIA, uniting 1,808 employers and comprising 37 branch and 28 regional associations, appears to be the most active employers' organization in the branch and regional structures of social partnership in Bulgaria. The Association has made proposals and submitted discussion projects on such matters as wage regulation, unemployment, protection and encouragement of employment, and various projects for the recovery of the national economy (Sixth General Meeting of the Bulgarian Industrial Association, 1993).

The Bulgarian Chamber of Commerce and Industry, with a hundred-year history, functioned during state socialism to develop international economic cooperation for its members. It completed its reorganization in April 1990, after a General Meeting adopted statutes and other program documents. The Chamber has 6,967 member employers from the state and private sectors, united in ten branch and twenty-one regional structures[1]. Although its goals are focused tightly on the defense of the economic interests of its members (individuals, companies, and other organizations), the Chamber became involved in the emerging tripartism at national and lower levels.

The main function of the new employers' organizations has apparently been to protect the interests of small private businesses. In December 1989, the Union of Private Economic Enterprising and the Vazrazhdane Union of Private Producers (later renamed Vazrazhdane Union of Private Entrepreneurs) were founded. The Union of Private Economic Enterprising comprises more than 8,000 members, 80 percent of which are small- and medium-size enterprises. It has eight branch associations and 43 regional organizations all over the

[1] Information Materials from the Bulgarian Chamber of Commerce and Industry.

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country[2]. The Union is oriented towards the defense of the economic interests of its members – entrepreneurs or organizations with less than 50 percent state property. Since unionization in the private sector is very low (about 4 percent), the Union's efforts are directed mainly at defending small business from state monopoly. The Union became actively involved in tripartite cooperation at national and lower levels. The Vazrazhdane Union of Private Entrepreneurs was founded as an organization of private entrepreneurs in different sectors of the economy. It has more than 800 members in 45 regional and branch organizations.

While newly formed employers' organizations were included in social dialogue talks, their participation was weak because of still undifferentiated organizational structures and non-consolidated programmatic platforms. With the advancement of transformation and consolidation on the business side, the employers' organizations are becoming more and more visible in tripartite talks over policy measures to facilitate transformation and economic reform, especially in regard to social and employment policies, minimum wage and income regulation, the elaboration of new labor legislation, the consolidation of collective bargaining, restructuring and fiscal and privatization policies.

Business Lobbying: Creating a Favorable Business Environment

In systems experiencing major transformational developments the temporary lack of stable norms and rules is substituted by increased rational cooperation among the actors in diverse institutionalized or non-institutionalized forms, and at the different levels of interaction. In Bulgaria, the political and economic context for business development was highly volatile. Each change in government – nine since 1989 – saw waves of politically motivated campaigns against company directors, often carried out with the support of labor unions (Stanchev, 1995). Those campaigns led to the frequent dismissal of top executives of state-owned enterprises, creating turbulence in companies being readied for privatization.

Additional uncertainty arose because no regulations or institutions existed in some business areas while too many existed in others. Holes in the system were frequent as outdated laws were eliminated before the adoption of new laws. The Personal Income Tax Law of 1950 for example was abolished in 1997, though a new law was not completed before 2000 (FIAS, 2000, 4-5). On the other hand, in 1999 Bulgaria had 79 registration regimes, 119 allowance regimes and 49 license regimes along with 579 regulations (Stanchev, 1999). Frequent changes in legislation were also a big hurdle. For example, the major tax laws were changed 66 times between 1990 and 1999 with implementing rules changed 43

[2] Information Materials from the Union of Private Economic Enterprising.

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times in the same period. The Personal Income Tax Law of 1950 was changed 19 times after 1990; seven of these were in 1996-97. Further, in the rush to pass new legislation in the pursuit of EU accession requirements and general policy reforms, implementing regulations are falling behind and create a high degree of uncertainty. Partially because of the uncertainty, the administration fails to provide help in the interpretation of new legal provisions. Corporations are therefore left on their own to gather information and determine the means of compliance (FIAS, 2000, 5).

Responding to these serious transformational challenges, business leaders in Bulgaria had to develop their own lobbying channels in addition to the already existing formalized structures of social dialogue. Lobbying the government bureaucracy was seen as an effective mechanism for the defense of the specific economic interests of business organizations in the country. The challenge was to avoid corrupt practices of tax violations and the development of informal and grey economic activities which were most tempting in the conditions of an ambiguous legal system, weak oversight and widely spread personalized relationships and personal networking.

Official lobbying channels gradually emerged and were consolidated in the country, through the already existing national business organizations such as the Bulgarian Industrial Association, the Bulgarian Chamber of Commerce and Industry, the Bulgarian International Business Association, and others. These organizations are invited to participate in a variety of working groups at the various ministries, and are regularly consulted on the major draft laws prepared by the government with anticipated effects on business operations in the country (Iankova/Katz, 2003). More day-to-day problems are resolved through more informal decentralized and direct contacts with the state administration. Often the local companies are invited to participate in a variety of working groups at the local level and this cooperation is not institutionalized in most cases.

Business organizations in Bulgaria also tend to create ad-hoc lobbying groups for the resolution of a specific problem. For example, such an ad-hoc lobbying network emerged in the Varna region regarding the anticipated privatization of Varna West Port. The management of Solvay Sodi – the biggest customer of the port – became very much concerned as to whom the port will be sold because of the need to maintain competitive tariffs. Solvay Sodi has initiated and created a network of companies from the Devnya Industrial Zone, including Devnya Cement, Agropoly Polichim, Amylum, oil tanking and others. As a group and major customers of the port, they hope to better lobby to the government authorities regarding the privatization deal of Varna West Port. Actually the lobbying activities of the network are focused on two levels: first, at the local level, these include direct talks with the director of the port; and second, at the

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national political level, there are on-going technical discussions with the Ministry of Transport[3].

The bigger and more influential companies in Bulgaria also initiate direct contacts with the political elites and the government bureaucracy for legislative changes and improvement of the business climate. For example, some more specific draft laws prepared by the government which concern the activities of Solvay Sodi – such as the new Ports Law – are sent directly to the management of the company for opinion. Discussions on the draft Ports Law were held with Vice Prime Minister and Minister of Economy Nikolay Vassilev.

Business Lobbying on EU Accession Issues

Political networking necessities of business organizations and leaders marked a change in focus under pressures stemming from Bulgaria's accession preparations for EU membership. The later are felt most powerfully with the opening and advancement of the EU accession negotiations in 2000 and the need to harmonize the entire domestic legislation with the European common law, the *acquis communautaire*.

The impact of accession is felt differently on domestic businesses and on foreign investors in Bulgaria and other applicant countries (The Economist Corporate Network, 2002; Ambler et al., 2002). According to many reports, accession to the EU will not alter significantly the business strategy of foreign investors – many have already invested in the region. In contrast to foreign investors, local businesses face more threats than opportunities, stemming from the great increase in competition once they have to compete in the EU single market. While initially evincing enthusiasm for larger markets for their products and an influx of fresh capital and new technology, later local private companies became increasingly wary of EU protectionist trade barriers. Additional difficulties stem from the still evolving legal framework for business in applicant countries where tax evasion, bribery and corruption are still rife.

Overall, many local companies fear they will be unable to meet the costs of conforming to EU regulations and competing on the open market. Non-competitive industries and sensitive sectors face the greatest challenges of adaptation to the EU membership requirements. These are large and outdated state-owned (or recently privatized) companies – coal mining, metal, steel and petrochemical industries.

Hence, with the opening of accession talks, EU integration moved increasingly to the forefront of the firms' strategic thinking; they recognize the more direct and really significant influence of accession on their operations – in contrast to

[3] Interview data, July 2002.

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the early 1990s when they thought accession would have an indirect, rather moderate impact on their operations (Farkas, 1998). Generally, however, according to many reports, the locally-owned businesses in candidate countries are not doing all that they might to exploit the business opportunities offered by enlargement. Thus only few businesses have implemented aggressive growth strategies designed to develop their business either internationally or regionally within CEE. Their strategies tend to be more defensive as they are concerned about the competitive threats they perceive as linked to enlargement.

The local business community faces the challenge to develop a competitiveness agenda that will enable local businesses to take full advantage of the opportunities of EU membership and neutralize the perceived threats by developing suitably aggressive business strategies that exploit the competitive advantages of applicant countries. To respond to these new challenges stemming from accession, business organizations try to proactively get involved in the accession process through various networks. This is done in two important ways: proactive approach in the accession negotiations, and participation in European-wide networks.

1. Proactive Approach in Accession Negotiations

Together with other social and economic interest groups from civil society, business organizations got actively involved in the accession process through participation in the domestic institutional structures of accession. Their participation is most prominent at the level of the working groups created at each ministry and dealing with the different chapters of the EU common law, where their opinion on domestic adjustments is sought. The input from these groups is becoming more prominent with the advancement of accession negotiations. Employers' and workers' representatives are the closest to economic and social realities and have a key role to play in the implementation of the *acquis communautaire* at the regional, sectoral and enterprise levels. The different elements of the *acquis* must be implemented in accordance with the particular microeconomic and social situations. This necessitates active consultation with business and other interest groups in the transposition and harmonization process of the *acquis*.

In Bulgaria, at the beginning of 2000 – after the opening of accession negotiations with the EU – several preparatory and negotiatory structures were established, in which business organizations together with other organizations from civil society were invited to participate. More particularly, business opinions were sought in the thirty working groups created with the task to handle the entire preparation of the negotiation process on a sector-by-sector basis. The groups' tasks focused on the preparation of draft negotiation positions by sectors, as well as general positions on the conformity of draft laws

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with the *acquis*, and on the national priorities and order of translation of the EU normative acts in the respective industry/field.

The most active business participation is in the two working groups coordinated by the Ministry of Labor and Social Policy – free movement of people, and social policy and employment. In these groups, all representatives of the social partners – the CITUB, Podkrepa CL, the Bulgarian Industrial Association, the Bulgarian Chamber of Commerce and Industry, the Union of Private Economic Enterprising and the Vazrazhdane Union of Private Producers – and a variety of NGOs are represented and consulted at all stages of the preparatory work. The social partners also take part in the management of the resources of the EU pre-accession funds (Pari Daily News, January 2000).

Directly linked with the European integration process was the participation of business organizations in the *Council for the Ratification of the Social Charter (Revised),* following the signing of the European Social Charter by the Bulgarian government in September 1998. The Council includes representatives of state institutions, organizations of employers, organizations of workers, professional organizations, nongovernmental organizations, local authorities, and research institutions and organizations, for a total of some 40 different institutions and organizations. The work of the Council focused on the selection of articles for ratification in three major groups of social rights: protection of employment, protection outside the workplace, and "social protection" (for example, unemployment benefits and health insurance) for the population. The council, through constructive dialogue, prepared a draft law on the ratification of the Social Charter. The draft law was submitted to the government and subsequently to the National Assembly and on this basis the ratification of the European Social Charter was achieved in March 2000 (Iankova, 2002). During the discussions in the Council of Ministers and Parliament, the draft law was almost unchanged, that is, civil society organizations, through their work in the Consultative Council, gained a considerable input (Ribarova, 2001, 104).

In addition, representatives of the business community were involved in the elaboration of the government position papers on the economic chapters of the *acquis*. The employers' organizations appear to be more active in these working groups than are the trade union organizations (Draus, 2000).

2. Involvement in European-Wide Networks

Involvement in European transgovernmental and transnational structures is another attempt to better prepare for the challenges of accession and EU membership. In light of anticipated EU membership of Bulgaria in 2007 business leaders have to learn to operate in a multi-level system of governance, including European supranational organizations as well as national and sub-national governments.

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Business organizations no longer look at the national government as the sole source of economic and social policy; the government shares this function with the EU's policy-making institutions. Overall, business leaders face the need to be more active at the local, but also the national and European levels. They have to learn how to operate at multiple levels of governance, and how to incorporate the European context even when dealing with very specific micro issues at the local level. They must thus consider the social and economic elements of European integration, while becoming an integral part of the respective EU policy networks. Because of that, membership in European-level business organizations, broad interaction with the business counterparts from EU member states, and participation in European-level structures become an important learning and skill-developing component of the preparation of business leaders for accession and EU membership.

To assume many new responsibilities related to their effective participation in European bodies of social dialogue is a rather difficult task, having in mind that most of the social partners in candidate countries are involved in internal restructuring, facing financial difficulties while struggling with a lack of human and financial resources, and exerting themselves at the domestic level to protect the interests of their members on domestic issues, which have often been threatened in the transition process. The involvement of Bulgarian business leaders in EU-level social dialogue would give them an opportunity to discuss their problems in a wider context, and contribute to the design of appropriate European policies in the long run. It may also help them face the new difficulties that may emerge with the prospect of EU enlargement, such as risks of social dumping for the west, or brain-drain for the east, which the social partners from neither the candidate countries nor the current EU member states would be able to tackle alone.

To better prepare for social dialogue at the EU level, Bulgarian business leaders are taking advantage of the assistance of EU-level business organizations – the European Roundtable of Industrialists (ERT) and the Union of Employers' Confederations in Europe (UNICE) – as well as the experience accumulated by their business counterparts from EU countries. Special workshops for employer and industrial organizations from candidate countries are organized, such as the one held in November 1999 in Prague. The workshop Vital Tasks of Employers' Federations in the Pre-Accession Period was financed by the ILO-CEET. These tasks as seen in the pre-accession period are: building or strengthening of federation structures specifically put in place to monitor the accession negotiations; training of a professional and experienced staff; creating a network of experts for lobbying in Brussels; setting up or improving effective channels of communication with member federations, companies and other concerned organizations to inform them about impending changes in regulations, explaining the effect of such changes and proposing ways of adapting to the new conditions; developing or improving of cooperation and

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continuous dialogue with the governments, to ensure that decisions made in the negotiations take fullest possible account of the business point of view; building or expanding bilateral links between CEEC-based and EU-based federations (sectoral and horizontal), as well as among colleagues, in order to encourage and facilitate networking, partnership programs and joint initiatives; putting to the attention of the European Commission to consider these recommendations, when it has to define its assistance program in the CEEC region; and establishing a small coordinating secretariat among CEEC employers' organizations.

The ERT has promoted the quick integration of the CEE economies into the EU. Enormous supply of high-skilled, low-wage workers and the addition of some 150 million consumers to the single market makes the prospect of enlargement wildly exciting to ERT companies. "It is as if we had discovered a new South-east Asia on our doorstep." In 1997, the ERT stepped up its activities on enlargement and created a special working group on enlargement. In December 1997, it presented an enlargement action plan to the EU summit in Luxembourg, asking leaders to quickly "integrate all the candidate countries into a larger, more competitive and reinvigorated EU." ERT demands included radical economic transformation within the candidate countries.

To facilitate this, ERT announced that its member companies would cooperate directly with the European Commission and in business advisory councils (BECs) which are being set up within the candidate countries (Wesolowsky, 2000). Four regional offices have been set up so far, in Bulgaria, Hungary, Romania and Slovakia, to solve problems faced by Western businesses operating in the region. BECs are composed of the CEOs of the local affiliates of ERT companies. These bodies bring together business leaders from multinational and local companies and senior government officials. Their purpose is to maintain dialogue with the national governments about investment and enlargement-related issues. The Bulgarian Enlargement Business Council (set up in December 1998) is "sponsored" – that is, at least partially financed – by the Belgian petro-chemical concern Solvay, which since 1997 has owned a 60 percent share in SODI Devnja, one of the world's largest synthetic soda ash plants.

Although eager to include as many countries as possible in enlargement negotiations, UNICE on its part feels that accession countries must be able to implement every aspect of the single market legislation. To smooth the accession process, UNICE has set up a task force on enlargement. Experts are assigned to each candidate country. They try to help the local federations or the business representatives in these countries to adapt to the *acquis communautaire*; and also try to help UNICE to have a better understanding of the problems they meet and to be able to give recommendations to the European Commission (UNICE, 1999).

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Bilateral links with groups from the EU member states have been facilitated and consolidated through the establishment of joint consultative committees on economic and social issues between the EU and each applicant country – under the initiative of the Economic and Social Committee of the EU. The Bulgarian committee was established in January 1999. It is a joint body between the Economic and Social Committee of the EU, and economic and social interest groups in Bulgaria.[4] The decision to form the Consultative Committee was made by the EU-Bulgaria Association Council on September 15, 1998. Six members on each side represent, respectively, employers' organizations, chambers of commerce, trade unions, and organizations of farmers, consumers, and women.

The Bulgarian part of the Committee was constituted at the end of October 1998, with the presence of the Foreign and Labor ministers. It comprises three groups: employers (only the BIA); trade unions (only the CITUB and Podkrepa); and various interests (the Federation of Consumers in Bulgaria; the Bulgarian Women's Union; and a farmers' Federation of the Cooperatives in Bulgaria). The ESC part of the Consultative Committee also comprises three groups: employers (the Assembly of French Chambers of Commerce and Industry, ACFCI; the General Italian Confederation of Commerce, Tourism, and Services, Confcommercio; and the Confederation of Finnish Industry and Employers); employees (the Netherlands Trade Union Confederation, FNV, and the French Democratic Confederation of Labor, CFDT); and various interests (the Greek Economic Chamber, and the Central Union of Agricultural Producers and Forest Owners MTK, Finland) (Iankova, 2002).

The committee was set up to pave the way for enlargement of the EU by promoting dialogue and supporting the Bulgarian professional organizations in their efforts to create a functioning civil society, one in which their consultation by the government would be an integral part of the decision-making process. This was viewed as particularly important in the coming years, when the Bulgarian government will start accession negotiations with the EU. Another task of the Joint Consultative Committee is to assist the EU/Bulgaria Association Council with a view to promoting dialogue and cooperation between the economic and social interest groups in the European Union and those in Bulgaria. The dialogue covers all economic and social aspects of EU-Bulgaria relations in light of the Association/Europe Agreement and the Accession Partnership Agreement between the EU and Bulgaria. The parties participate in its work via statements and reports which then eventually produce joint statements.

[4] "EU/Bulgaria Joint Consultative Committee Inaugural Meeting," Commission of the European Communities: RAPID, February 26, 1999.

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Conclusions: Political Networking: From Leadership Skills to Business Strategy

Sustaining integration in Europe depends largely on sustaining compatible networks. The interaction between policy and business is a multifaceted phenomenon that can be approached in a variety of ways. For the purposes of this paper we have concentrated on political networking structures and processes in Eastern Europe by specifically using the case of Bulgaria. Our analysis above demonstrates that while personal networking was among the most important features of effective managers' leadership in socialist Bulgaria, there is a clear trend of transforming political networking abilities, skills and practices into an integrated part of enterprises' business strategies. This transition from networking as a vital leadership skill to networking as a rational way of shaping business strategy is mediated by a number of different contexts. Whereas some of the contextual features address the organizational level, others are related to interorganizational, national, and supranational level.

CEE state governments, regional/local governments, multinational corporations (and the way these integrate national markets into their networks), domestic firms, international agencies and other intermediary bodies, EU policy communities and educational organizations all influence the alignment of networks (Gristock, 2003). The CEE integration into the EU closely depends on the match between these different networks. The process of matching is a dynamic and not necessarily a straightforward one. In a transformational environment, as the one in the post-socialist era, the challenges are even bigger and more difficult to meet. In such a transformational context, the interactions between policy makers and businesses become of vital importance and central actors engaged in establishing and developing these particular networks have a significant influence not only on political networking, but also on other related types of networking.

At the same time, there are certain features of political networking that are shared in both the socialist and post-socialist context. The most important one is probably the fact that networking provides an effective opportunity to bypass weak or incompetent segments of both companies and their environments. As some of our arguments suggest, this has been and still is well-recognized and in most cases optimally utilized in the Bulgarian case.

There are a number of pitfalls in the process of establishing and maintaining the political networking structures as well as nurturing the political networking processes. One of those pitfalls is associated with the issue of accountability. Accountability links individual decision makers to the institutions within which they live and work by reminding them of the need to a) act in accord with prevailing norms and b) advance compelling justifications or excuses for conduct that deviates from those norms (Tetlock, 1999, 119). No social system can function for a sustained period without accountability checks on group

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members (Axelrod, 1984; Edgerton, 1985) and networks are no exception in this respect. Networks cannot rely exclusively on external modes of social control for maintaining order and if they hypothetically could, the transaction costs of monitoring everybody all the time would be staggering. Therefore, not merely norm stipulation, but more importantly, norm internalization becomes a highly important, although not entirely sufficient for networks' smooth functioning. As suggested in our analysis, this turns to be a major challenge in post-socialist Bulgaria.

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